Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANAGU 02171 01 OF 03 102154Z
ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-08 /025 W
----------064246 102217Z /66
P 102031Z MAY 78
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC PRIORITY 6551

LIMITED OFFICIAL USE SECTION 1 OF 3 MANAGUA 2171

E.O. 11652: N/A
TAGS: EINV, EMIN, EWWT, ENRG, NU
SUBJECT: OPIC INSURANCE OF ROSARIO GOLD MINE PROJECT

REF: STATE 104050

BEGIN SUMMARY: EMBOFF VISITED AREA OF SUBJECT GOLD MINE PROJECT LAST WEEK AND WAS ABLE TO CONFIRM THAT MOST OF THE CLAIMS WHICH ROSARIO MAKES ABOUT ITS CONTRIBUTIONS TO THE ECONOMIC WELFARE OF THE POORER INHABITANTS IN THAT REMOTE PART OF NICARAGUA SEEM TO BE TRUE. THIS REPORT ADDRESSES THOSE CLAIMS IN DETAIL. DESPITE SOME MISGIVINGS AS TO WHETHER THE GON WILL BE ABLE TO PREVENT EXPLOITERS FROM USURPING SECTIONS OF PUBLIC OR TRIBAL LANDS IN THAT AREA, EMBASSY BELIEVES THAT THE PROJECT, OVERALL, WILL BE BENEFICIAL TO THE NEEDY IN NE NICARAGUA AND RECOMMENDS OPIC APPROVAL OF THE PROJECT. END SUMMARY.

1. EMBOFF VISITED ROSARIO MINE PROJECT APRIL 29-MAY 2. FOLLOWING IS SUMMARY OF HIS OBSERVATIONS AT EACH SITE MENTIONED REFTEL: SIUNA, LA LUZ, BONANZA, ROSITA, LIM-BAIKA, AND PUERTO ISABLE, AS WELL AS BONANZA-ROSITA-LIMBAIKA ROAD AND THE LIMBAIKA-PUERTO ISABLE WATERWAY:

2. SIUNA/LA LUZ: (A) SIUNA, LA LUZ AND JAMAICA
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 02171 01 OF 03 102154Z

TWON, WITH A COMBINED POPULATION OF ABOUT 6,000, ARE CONTIGUOUS VILLAGES COMPRISING THE SIUNA MINING AREA. THE SIUNA MINE HAS BEEN SHUT DOWN SINCE 1968 WHEN THE MINE FLOODED. (THE MINE BEGAN FLOODING WHEN A NEARBY DAM BURST DESTROYING A HYDROELECTRIC PLANT WHICH PRODUCED THE POWER REQUIRED TO KEEP THE MINE DRY.)

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

(B) ROSARIO PLANS TO REACTIVATE THE SIUNA MINE BY PUMPING OUT THE ACCUMULATED WATER AND RENOVATING ITS INSTALLAIONS, SOME OF WHICH HAVE DETERIORATED CONSIDERABLY SINCE THE MINE CLOSED. WORK HAS ALREADY BEGUN ON PREPARING FOUNDATIONS FOR NEW GENERATORS WHICH WILL PROVIDE POWER FOR PUMPING OUT THE MINE. ROSARIO HAS JUST HIRED 35 WORKERS TO START THE RENOVATION WORK. THE PROJECT MANAGER ESTIMATES THAT IT WILL TAKE A YEAR TO CLEAR THE MINE OF WATER, THAT THE REHABILITATION OF THE MINE AND RELATED FACILITIES WILL REQUIRE EMPLOYMENT OF OVER 600 PERSONS, AND THAT A WORK-FORCE OF SIMILAR SIZE WOULD BE EMPLOYED ONCE THE MINE IS PRODUCING AGAIN.

(C) SINCE THE SIUNA MINE SHUT DOWN, THERE HAS BEEN CONSIDERABLE UNEMPLOYMENT IN THE AREA. MANY OF THE INHABITANTS, WHO ARE MAINLY INDIANS AND BLACKS, HAVE SUPPORTED THEMSELVES BY SUBSISTENCE FARMING (USING MAINLY THE SLASH-AND-BURN METHOD) IN THE ADJACENT JUNGLE-CLAD MOUNTAINS, AND A FEW, BY PANNING FOR GOLD. PANNERS ARE LUCKY IF THE CAN AVERAGE C$35 PER DAY. (C$7 EQUALS US$1).

(D) THE MINING COMPANY PREVIOUSLY PROVIDED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANAGU 02171 01 OF 03 102154Z

SCHOOLING AND MEDICAL FACILITIES FOR ITS WORKERS. ALTHOUGHTTHE GON HAS NATIONALIZED EDUCATION AND HAS NOMINALLY TAKEN OVER THE SCHOOLS, THE COMPANY STILL PROVIDES SOME SUPPLEMENTARY SUPPORT FOR THE SCHOOLS, INCLUDING PARTIAL PAYMENT OF TEACHERS' SALARIES AND EXPENSES. THE GON SOCIAL SECURITY INSTITUTE (INSS) HAS TAKEN OVER THE MEDICAL FACILITIES IN ALL THE MINING AREAS, APPARENTLY WITH SOME LOSS OF QUALITY IN MEDICAL CARE AND RETIREMENT BENEFITS. THE COMPANY CONTRIBUTES TO THE INSS.

(E) ROSARIO PROVIDES HOUSING FOR MANY OF THE MINE'S ERSTWHILE WORKERS AT NOMINAL COST, LIMITED, FREE ELECTRICITY FOR WORKERS' HOUSING, FREE POTABLE WATER TO THE TOWNS, AND ELECTRICITY AT COST FOR TOWNSPEOPLE. ROSARIO'S COMMISSARY OPERATES ON NON-PROFIT BASIS. (N.B. NON PROFIT COMMISSARIES ARE ALSO IN OPERATION AT BONANZA, ROSITA AND PUERTO ISABEL).

3. BONANZA: THE BONANZA MINES ARE UNDER THE CONTROL OF NEPTUNE MINING CO., ANOTHER US FIRM.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

HOWEVER, SINCE ROSARIO RESOURCES REPORTEDLY HAS
A 36 PERCENT INTEREST IN NEPTUNE'S BONANZA MINE
AND HANDLES ORE SHIPMENTS FOR THAT MINE, A FEW
WORDS ABOUT BONANZA MAY BE IN ORDER. NEPTUNE
EMPLOYES 800-850 PERSONS, PLUS 20 FOREIGNERS IN
ITS GOLD, SILVER, LEAD AND ZINC MINING OPERATIONS.
IT PROVIDES ELECTRICITY FREE TO ITS WORKERS AND,
WHEN EXCESS IS AVAILABLE, AT A SUBSIDIZED RATE
TO TOWNSPEOPLE OTHER THAN MERCHANTS WHO MUST PAY
ACTUAL COSTS. IT ALSO PROVIDES WATER OF VARYING
POTABILITY TO THE TOWN. NEPTUNE PAYS SALARIES
OF TEACHERS AT GON SCHOOLS AND PART OF SALARIES
AND UPKEEP OF INSS HOSPITAL STAFF.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANAGU 02171 01 OF 03 102154Z

4. ROSITA: (A) UNLIKE BONANZA, ROSITA, MINES
ONLY GOLD AND SILVER. ITS COPPER QUARRIES HAVE
PROVED UNECONOMICAL TO OPERATE AND WITHOUT COPPER
MINING, IT NO LONGER PRODUCES A COPPER ORE BYPRODUCT,
MALACHITE. ALTHOUGH ITS PROVEN GOLD AND SILVER
RESERVES MAY LAST ONLY ANOTHER TWO YEARS (AND ARE
ECONOMICAL ONLY WHEN GOLD PRICES EXCEED $160 PER
OUNCE), IT IS QUITE POSSIBLE THAT ROSITA WILL
CONTINUE OPERATIONS FOR SEVERAL MORE YEARS OR SERVE
AS PROCESSING CENTER FOR OTHER MORE DISTANT MINES.

(B) THE COMPANY PROVIDES CHEAP ELECTRICITY (FREE
FOR ITS WORKERS), FREE POTABLE WATER AND FIRE-FIGHT-
ING SERVICE FOR ROSITA TOWN. ITS NONPROFIT COMMIS-
SARY IS ALSO AVAILABLE TO TOWNSPEOPLE, MOST OF WHOM
ARE MISKITO AND SUMO INDIANS, BLACKS OR OF MIXED
BLOOD. THE COMPANY ALSO PROVIDES LAND FOR THE
TOWN'S MAIN SPORTS ARENA, A BASEBALL STADIUM. THE
COMPANY CONTRIBUTES FINANCIALLY TO THE GON-OPERATED
SCHOOLS AND INSS HOSPITAL.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANAGU 02171 02 OF 03 102201Z
ACTION OPIC-06

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

INFO OCT-01 ARA-10 ISO-00 EB-08 /025 W
----------064292 102220Z /66
P 102031Z MAY 78
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC PRIORITY 6552

LIMITED OFFICIAL USE SECTION 2 OF 3 MANAGUA 2171

(C) SOME OF ROSITA'S MINERS FARM PART TIME TO SUPPLEMENT THEIR INCOME. MANY OF THOSE WHO HAVE RETIRED FROM THE MINES GO INTO FARMING OR CATTLE-RAISING, WITH THE MINING COMPANY AND ITS EMPLOYEES AS PRINCIPAL CUSTOMERS.

5. LIMBAIKA & PUERTO ISABEL: BOTH OF THESE SITES ARE BASICALLY CAMPS TO FACILITATE LOADING AND UN-LOADING OPERATIONS FOR THE MINES AND LUMBER COM-PANIES IN THE AREA.

(A) ROSARIO MAINTAINS MOST OF THE CARGO-HANDLING EQUIPMENT AT LIMBAIKA RIVER PORT AND AT PUERTO ISABLE. IT ALSO OWNS, OPERATES AND MAINTAINS A 2,800-FOOT LONG, WOODEN PEIR AND STORAGE FACI-LITIES AT PUERTO ISABEL. IT EMPLOYS SOME 35 WORKERS REGULARLY AT PUERTO ISABEL AND UP TO 50 WHEN SHIPS ARE IN PORT. MOST OF THE WORKERS ARE INDIANS FROM NEARBY PRINZAPOLKA AND OTHER COASTAL VILLAGES. AN AVERAGE OF FOUR SHIPS CALL THERE PER MONTH TO PICK UP ORE OR LUMBER AND TO DELIVER FUELS AND SUPPLIES FOR THE MINING AND LUMBER OPERATIONS.

(B) THE COMPANY MAINTAINS PUERTO ISABEL'S SMALL SCHOOL AND PROVIDES SALARIES AND HOUSING FOR GON CUSTOMS OFFICIALS THERE. THERE IS NO HOSPITAL THERE, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 02171 02 OF 03 102201Z

BUT THE GON IS BUILDING A CLINIC AT PRINZAPOLKA, SOME 2-3 KILOMETERS DISTANT.

6. EMBOFF WAS ABLE TO VERIFY THAT THE COMPANY-BUILT ROADS LINKING SIUNA, ROSITA AND BONANZA WITH LIM-BAIKA ARE WLL-MAINTAINED AND ARE GENERALLY FAR BETTER QUALITATIVELY THAN THE FEW GON-BUILT ROADS IN THAT AREA. THESE ROADS ARE VITAL LINKS TO THE PEOPLES OF THE AREA AND HAVE OPENED UP FOR FARMING ANDLUMBERING LARGE, OTHERWISE INACCESSIBLE TRACTS OF LAND. ROSARIO EMPLOYS A 35-MAN CREW TO KEEP THE ROADS IN SHAPE. (N.B. PROVIDING AND MAINTAIN-ING THIS TRANSPORTATION NETWORK BETWEEN THE MINES

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

AND THE PORT ARE BOTH COSTLY AND A KEY DETERMINANT
IN THE MINE'S PROFITABILITY.)

7. TRAVEL BY BARGE ON THE RIO PRINZAPOLKA BETWEEN
LIMBAIKA AND PUERTO ISABLE IS SLOW (8 HOURS DOWN-
STREAM, 12-15 HOURS UPSTREAM) BUT FREE. THE
COMPANY'S FIVE BAGES PROVIDE FOR MOST AREA INHABITANTS THERE ONLY
PRACTICAL TRANSPORTATION BETWEEN THE COAST AND THE DEEP INTERIOR.

8. ROSARIO, NEPTUNE, AND TO A MUCH LESSER DEGREE,
THE US-OWND LUMBER COMPANIES OPERATING IN THE AREA
ARE THE ONLY SIGNIFICANT SOURCES OF EMPLOYEMENT IN
THAT PART OF ZELAYA DEPARTMENT. VISITING THE
STAGNATING ECONOMY OF SIUNA, WHERE MINING STOPPED
10 YEARS AGO, AND THE RELATIVELY BUSTLING BONANZA
AND ROSITA, WHERE MINING OPERATIONS CONTINUE,
PROVIDES DRAMATIC EVIDENCE OF THE MINES' IMPORTANCE
TO THE AREA'S ECONOMY. ROSARIO PAYS MINIMUM WAGES
OF C$1.90 PER HOUR IN THE MINING AREAS AND C$2.20
AT PUERTO ISABLE. ALTHOUGH THESE GON-SET MINIMUN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

WAGES ARE LOW, SO TOO ARE PRICES FOR MOST BASIC
STAPLES. SKILLED WORKERS, THOSE WITH LONGEVITY OR
GREATER RESPONSIBILITY, AND THOSE IN THE MINES, OF
COURSE, EARN MORE.

9. ROSARIO SOMETIMES PROVIDE ANOTHER SERVICE FOR
THE PEOPLE IN THE AREA OF ITS OPERATIONS. IN SOME
INSTANCES THE COMPANY HAS REPORTEDLY BEEN ABLE DISCREET-
LY TO ARRANGE FOR THE TRANSFER OUT OF THE AREA OF
CORRUPT GON OFFICIALS WHO HAD BEEN EXTORTING FUNDS
FROM THE WORKERS OR OTHERWISE TREATING INHABITANTS
UNFAIRLY. THE COMPANY HAS NOT, HOWEVER, YET BEEN
ABLE TO GET INCEI (THE GON'S FOOD STORAGE AND
PURCHASING AGENCY) TO PAY AREA FARMERS A FAIR PRICE,
AND PROMPTLY, FOR THOSE GRAINS THE COMPANY DOESN'T
BUY. THERE IS PRACTICALLY NO OTHER MARKET FOR FEED
CORN, FOR EXAMPLE. EMBOFF COULD NOT CONFIRM
ROSARIO'S CLAIM THAT IT OPERATES LOCAL FOOD STORAGE
FOR BENEFIT OF LOCAL INHABITANTS (PER PARA 3(F)
REFTEL) UNLESS ACCESSIBILITY OF COMMISSARIES TO WONS-
PEOPLE WAS MEANT BY THIS.

10. THE EMBASSY HAS FOUND NO INDICATION OF OWNER-
SHIP OF THE SIUNA AND ROSITA MINING COMPLEXES
OTHER THAN BY ROSARIO. NEITHER HAS IT FOUND ANY
EVIDENCE OF GON OR LOCAL PRIVATE PARTICIPATION IN
SUBJECT PROJECT. (ROSARIO DOES, HOWEVER, HAVE A
WHOLLY-OWNED SUBSIDIARY, GLOBAL ENERGY COMPANY,

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

WHICH PLANS TO EXPLORE FOR OIL IN AN ON-SHORE
AREA JUST NORTH OF PRINZAPOLKS LATER THIS YEAR.
PRIVATE NICARAGUAN PARTICIPATION IN THAT EXPLORA-
TION PROJECT IS ANTICIPATED.)

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANAGU 02171 03 OF 03 102207Z
ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-08 /025 W
----------064331 102221Z /66
P 102031Z MAY 78
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC PRIORITY 6553

LIMITED OFFICIAL USE SECTION 3 OF 3 MANAGUA 2171

11. ALTHOUGH MOST OF THE FARMERS WHO HAVE CLEARED
LANDS ALONG OR NEAR COMPANY-BUILT ROADS APPEARED
TO BE POOR CAMPESINOS AND/OR INDIANS, THERE ARE
PROBABLY A FEW OUTSIDERS WHO HAVE ACQUIRED EXTEN-
SIVE TRACTS OF LAND FOR FARMING OR CATTLE RAISING.
THUS FAR, THE ISOLATION OF THE AREA HAS INHIBITED
INTERLOPERS FROM COMING INTO THE REGION TO CLAIM
AND EXPLOIT LARGE LANDHOLDINGS. THE GON'S AGRARIAN
REFORM INSTITUTE (IAN) WILL REPORTEDLY NOT GRANT
FREE-HOLDS TO FARMERS IN THE AREA SINCE MOST OF THE
LAND IS EITHER GOVERNMENT OR TRIBAL OWNED. HOWEVER,
THE OPENING OF THE WASLALA-SIUNA ROAD A YEAR AGO
AND THE FUTURE IMPROVEMENT OF THE RUDIMENTARY
RIO BALANCO-SIUNA ROAD WITH AN IDB-FINANCED LOAN
WILL SUBJECT IAN TO OUTSIDE PRESSURES FOR LAND IN THAT PART OF
NICARAGUA. IAN IS TRYING AT LEAST TO SET ASIDE FOR POOR FARMERS
THE LANDS ADJACENT TO THE MAIN ROADS. AS THE SAME TIME, INFONAC,
THE GON'S DEVELOPMENT INSTITUTE, IS SEEKING TO PREVENT EXPLOIERS FROM
CREATING PASTURES BY BURNING DOWN PART OF THE PINE
FORESTS ALONG THE COMPANY-BUILT ROAD NORTH OF
LIMBAIKA. EMBOFF OBSERVED THAT INFONAC HAS NOT
BEEN COMPLETELY SUCCESSFUL IN PREVENTING SUCH
BURNING. (COMMENT: IT IS UP TO THE GON, WHOSE
STATED POLICIES GENERALLY FAVOR RESTRICTING USE OF
THOSE "NEW"LANDS TO INDIANS AND OTHER POOR PEASANTS,
TO PREVENT THE UNFAIR EXPLOITATION OF LANDS NEAR
LIMITED OFFICIAL USE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THE COMPANY'S ROADS.)

12. SUMMING UP, EMBASSY BELIEVES SUBJECT PROJECT WILL PROVIDE POSITIVE CONTRIBUTION TO DEVELOPMENT OF NE NICARAGUA AND ADD APPRECIABLY TO THE WELL-BEING OF THE POOR MAJORITY IN THE MINING AREAS, EITHER THROUGH DIRECT EMPLOYMENT OR BY PROVIDING A MARKET FOR GOODS THEY PRODUCE. THE POSSIBILITY REMAINS, OF COURSE, THAT SOME WELL-CONNECTED EXPLOITERS WILL GAIN CONTROL OF EXTENSIVE LAND TRACTS IN THE MINING AREAS AND DENY INDIANS AND OTHER POOR ACCESS TO SUCH LANDS. THIS HAS NOT HAPPENED YET TO ANY SIGNIFICANT EXTENT AND IT IS UP TO THE GON TO PREVENT SUCH EXPLOITATION FROM OCCURING. EMBASSY RECOMMENDS OPIC APPROVAL OF SUBJECT PROJECT.

13. EMBASSY HAS MEANWHILE RECEIVED LETTER DATED APRIL 21, 1978, FROM GON'S VICE MINISTER OF ECONOMY SAYING THAT THE MINISTRY APPROVES ROSARIO'S INVESTMENT OF $10 MILLPON IN SUBJECT PROJECT FOR COVERAGE UNDER BILATERAL 1966 (OPIC) AGREEMENT.
SOLAUN

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSURANCE, GOLD MINING, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANAGU02171
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780199-0232
Format: TEL
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780574/aaaaclas.tel
Line Count: 358
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 074f30a1-c288-dd11-92da-001cc4696bcc
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 104050
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2737321
Secure: OPEN
Status: NATIVE
Subject: OPIC INSURANCE OF ROSARIO GOLD MINE PROJECT
TAGS: EINV, EMIN, EWWT, ENRG, NU, ROSARIO GOLD MINE
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/074f30a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014